

Deal Summary CCI-ACM Hopewell VI
1300, 1350, & 1400 American Boulevard, Hopewell Township, NJ 08534



Strategy: CORE, Office

Acquisition Date Jan. 2017
Disposition Date Est. Jan. 2022
Limited Partner Returns 26.79% IRR/ 2.55x
LP Equity Distributions \$124,248,947

Property Description

- Size: 553,841 SF
- Building Type: Class A Office
- Parking Ratio: 4.00/1000
- Location: Princeton/Route 1 Corridor midway between New York City and Philadelphia
- Built in 2000 at an estimated cost of \$422/SF



Underwriting Summary	Projected	Estimated Returns
Acquisition Price	\$148,000,000 (\$267/SF)	\$148,000,000 (\$267/SF)
Equity Commitment	\$50,000,000 (\$90/SF)	\$50,766,807 (\$92/SF)
Leverage	\$103,600,000 (\$187/SF) Initial	\$103,600,000 Current Basis
Holding Period	36 Months	60 Months
Lease Rate	\$22.00/SF NNN Average	\$23.00/SF NNN Average
Stabilized NOI	\$13,650,000	\$13,615,000
Sales Price	\$210,000,000(\$379/SF)	\$300,000,000 (\$541/SF)
Deal Level Returns (net of fees)	28.02% IRR	32.37% IRR
LP Returns	21.74% IRR & 1.72x Multiple	26.79% IRR / 2.55x equity multiple
\$5,000,000	\$8,600,000	\$12,750,000

Business Plan

The business plan was to extend the existing Merrill Lynch Lease, to yield more than 10 years of remaining lease term, thereby realizing cap rate compression of up to 3 pts. We will achieve this by offering Merrill Lynch a solution that will allow them to consolidate from the 1100 POD that they currently occupy but have an out in 2019, into our POD, 1300, and VEREITs POD, 1500, referred to by Merrill Lynch as the Core POD and the Core POD II, respectively. We initially thought that they would renew Pod B and Pod C.

Outcome

Our long-term relationship with Bank of America assisted CCI with extending their lease in Pod B, while they elected to consolidate out of Pod C. This averted keeping our buildings in Pod B from going vacant and needing to be re-leased. We elected to distribute monthly a 14% cash on cash return to investors during ownership. In July 2021, Merrill Lynch submitted a best and final proposal to CCI for a eleven-year lease extension. The lease expiration date would be extended from December 2024 to November 2035. The Base Rent will be \$23.00/SF NNN commencing on December 1, 2025 with \$0.50/SF annual increases. CCI is seeking a new long-term limited partner to recapitalize a 95% interest in this headquarters quality office complex leased to an investment grade tenant for the next 14 years or a straight sale to an institutional buyer. **Cap rates compressed more than anticipated and our outcome will be significantly higher than forecast.**